

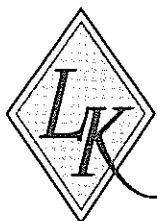
OVID-ELSIE AREA SCHOOLS  
ELSIE, MICHIGAN  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2006

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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 17, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Ovid Elsie Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ovid Elsie Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ovid Elsie Area Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 17, 2006 on our consideration of the Ovid Elsie Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - IX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ovid Elsie Area Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*  
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Ovid Elsie Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**District Wide Financial Statements:** (Continued)

These two statements report the Ovid Elsie Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u><b>NET ASSETS SUMMARY</b></u>	
	<u>2006</u>	<u>2005</u>
<u><b>ASSETS</b></u>		
Current Assets	\$6,027,932	\$6,820,354
Non-Current Assets	<u>34,931,477</u>	<u>35,054,140</u>
<u><b>TOTAL ASSETS</b></u>	<u><u>\$40,959,409</u></u>	<u><u>\$41,874,494</u></u>
<u><b>LIABILITIES</b></u>		
Current Liabilities	\$2,495,935	\$2,348,117
Long-Term Liabilities	<u>33,555,881</u>	<u>32,663,706</u>
Total Liabilities	<u>\$36,051,816</u>	<u>\$35,011,823</u>
<u><b>NET ASSETS</b></u>		
Invested in Capital Assets - Net of Related Debt	958,818	1,912,531
Restricted - Debt Service	215,079	56,134
Restricted - Capital Projects	187,866	482,428
Unrestricted	<u>3,545,830</u>	<u>4,411,578</u>
Total Net Assets	<u><u>\$4,907,593</u></u>	<u><u>\$6,862,671</u></u>
<u><b>TOTAL LIABILITIES AND NET ASSETS</b></u>	<u><u>\$40,959,409</u></u>	<u><u>\$41,874,494</u></u>

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$663,535	\$580,148
Property Taxes Levied for Debt Service	1,669,051	1,577,759
State of Michigan Unrestricted Foundation Aid	11,181,652	11,161,278
Other General Revenues	<u>191,901</u>	<u>406,773</u>
Total General Revenues	\$13,706,139	\$13,725,958
<u>Operating Grants:</u>		
Federal	606,694	640,696
State of Michigan	1,336,847	971,266
Other Operating Grants	<u>377,800</u>	<u>318,139</u>
Total Operating Grants	\$2,321,341	\$1,930,101
<u>Charges for Services:</u>		
Food Service	298,787	277,738
Athletics	61,793	47,175
Other Charges for Services	<u>128,692</u>	<u>87,438</u>
Total Charges for Services	<u>\$489,272</u>	<u>\$412,351</u>
Total Revenues	\$16,516,752	\$16,068,410
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	8,962,062	8,387,576
Support Services	5,742,696	5,723,702
Community Services	290,484	261,752
Food Service	532,299	614,074
Athletics	257,835	252,136
Interest on Long-Term Debt	2,383,669	1,515,882
Depreciation	<u>302,785</u>	<u>299,317</u>
Total Expenses	<u>\$18,471,830</u>	<u>\$17,054,439</u>
<b><u>(DECREASE) IN NET ASSETS</u></b>	(\$1,955,078)	(\$986,029)
<b><u>BEGINNING NET ASSETS</u></b>	<u>6,862,671</u>	<u>7,848,700</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$4,907,593</u></u>	<u><u>\$6,862,671</u></u>

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets decreased by \$1,955,078 to a total of \$4,907,593. This represents a 28% decrease over the prior year. The largest portion of the net assets are the districts investment in fixed assets. Net assets (invested in capital assets, net of related debt) decreased by \$953,713 during the year due to increases in long-term debt and depreciation exceeding purchases of new capital assets and principal payments on related debt. The districts Unrestricted Net Assets decreased by \$865,748 during the year and the restricted portion of the net assets decreased by \$135,617. The restricted Net Assets consist of the debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenditures exceeded its revenues for the year by \$1,955,078. Total Revenues increased by \$448,342 or 3% over last years amounts. The major change was increases in property taxes and state aid. Expenditures and other financing uses increased by \$1,417,391. Major changes were due to increases in interest and employee costs.

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$799,799 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year increased by \$558,672 due to increases in property taxes and state aid. Expenditures for the year increased by \$562,347 due to increased employee costs. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Ovid Elsie Area Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.



OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2005-2006 was 1,812 students. An increase of 15 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9874 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$655,268. An increase of \$75,1250 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$13,893,056	\$14,095,953	\$14,148,112	1.84	0.37
Expenditures	14,697,899	14,951,717	14,947,911	1.70	0.03
<u><b>TOTAL</b></u>	<u><b>(\$804,843)</b></u>	<u><b>(\$855,764)</b></u>	<u><b>(\$799,799)</b></u>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Ovid Elsie Area Schools amends its budget quarterly during the school year. For fiscal year June 30, 2006, the budget was amended in June, 2005. The June, 2006 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-06	Principal Payments 6-30-06	Principal Balance 6-30-06
Bonds Payable	\$31,994,505	\$19,055,000	\$18,970,191	\$32,079,314
MI School Bond Loan Fund	1,150,640	742,705	0	1,893,345
Retirement Incentive	0	450,000	0	450,000
Unpaid Sick Days Payable	383,752	0	116,833	266,919
<u>Total Long-Term Bond Obligations</u>	<u>\$33,528,897</u>	<u>\$20,247,705</u>	<u>\$19,087,024</u>	<u>\$34,689,578</u>

Significant debt transactions for the year besides the required principal and interest payments were the issuance of the 2005 and 2006 refunding bonds, issuance of a retirement incentive and the activity of the Michigan School Bond Loan Fund as follows:

1) 2005 REFUNDING BONDS

On December 13, 2005, Ovid-Elsie Schools issued \$9,450,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.5% to 4.125%. The District issued the bonds to advance refund \$8,740,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$8,740,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next twenty years by \$786,600. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$349,662. The balance of the 2005 Refunding Bonds as of June 30, 2006 was \$9,390,000.

2) 2006 REFUNDING BONDS

On February 2, 2006, Ovid-Elsie Schools issued \$9,605,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.4% to 4.5%. The District issued the bonds to advance refund \$9,305,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,305,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next twenty years by \$694,256. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$283,069. The balance of the 2006 Refunding Bonds as of June 30, 2006 was \$9,605,000.

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

3) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 2002 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 2002 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2006 was \$1,893,345.

4) Retirement Incentive

The School District offered a retirement incentive to certain employee groups during the year. The eligible employees who elected to retire will receive payments in each of the next three years. The total obligation is \$450,000. The balance to be paid at June 30, 2006 is \$450,000.

B. Capital Assets

The district's net investment in capital assets increased by \$24,772,410 during the fiscal year. This can be summarized as follows:

	Baance 7-1-05	Additions	Deductions	Baance 6-30-06
Capital Assets	\$18,153,084	\$25,302,567	\$0	\$43,455,651
Less: Accumulated Depreciation	(7,994,017)	(530,157)	0	(8,524,174)
<u>Net Investment Capital Outlay</u>	<u>\$10,159,067</u>	<u>\$24,772,410</u>	<u>\$0</u>	<u>\$34,931,477</u>

Significant additions were the construction and remodeling of EE Knight, Leonard, North and the high school.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,100 per pupil for the 06-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

The District's September 2006 enrollment is expected to decrease by 5 students

\* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.

OVID ELSIE AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET** (Continued)

- \* The Ovid-Elsie Area Schools 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$14,378,324
<u>EXPENDITURES</u>	<u>14,369,789</u>
<u>NET OVER BUDGET</u>	<u><u>\$8,535</u></u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Ovid Elsie Area Schools.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,458,426
Investments	1,179,232
Due from Other Governmental Units	2,385,894
Inventory	4,380
Total Current Assets	<u>\$6,027,932</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	43,455,651
Less: Accumulated Depreciation	<u>(8,524,174)</u>
Total Noncurrent Assets	<u>\$34,931,477</u>
<u>TOTAL ASSETS</u>	\$40,959,409
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Salaries Payable	\$953,759
Accrued Expenses	408,479
Current Portion of Long-Term Obligations	<u>1,133,697</u>
Total Current Liabilities	<u>\$2,495,935</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>33,555,881</u>
<u>TOTAL LIABILITIES</u>	\$36,051,816
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	958,818
Restricted for:	
Debt Service	215,079
Capital Projects	187,866
Unrestricted	<u>3,545,830</u>
<u>TOTAL NET ASSETS</u>	<u>\$4,907,593</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$8,962,062	\$0	\$1,964,379	(\$6,997,683)
Support Services	5,742,696	7,192	73,757	(5,661,747)
Community Services	290,484	121,500	0	(168,984)
Food Service	532,299	298,787	283,205	49,693
Athletics	257,835	61,793	0	(196,042)
Interest Long-Term Obligations	2,383,669	0	0	(2,383,669)
Depreciation - Unallocated	302,785	0	0	(302,785)
<u>TOTALS</u>	<u>\$18,471,830</u>	<u>\$489,272</u>	<u>\$2,321,341</u>	<u>(\$15,661,217)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	2,332,586
State Aid	11,181,652
Investment Earnings	130,974
Miscellaneous	60,927
Total General Revenues	<u>\$13,706,139</u>
Change in Net Assets	(\$1,955,078)

Net Assets - Beginning	<u>6,862,671</u>
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<u>Net Assets - Ending</u>	<u>\$4,907,593</u>
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See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,072,767	\$385,659	\$2,458,426
Investments	1,179,232	0	1,179,232
Due from Other Governmental Units	2,385,894	0	2,385,894
Due from Other Funds	27,160	330,548	357,708
Inventory	0	4,380	4,380
<u>TOTAL ASSETS</u>	<u>\$5,665,053</u>	<u>\$720,587</u>	<u>\$6,385,640</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$330,548	\$27,160	\$357,708
Salaries Payable	953,759	0	953,759
Accrued Expenses	149,595	0	149,595
Total Liabilities	\$1,433,902	\$27,160	\$1,461,062
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	4,380	4,380
Debt Retirement	0	215,079	215,079
Capital Projects	0	187,866	187,866
Unreserved:			
Undesignated, Reported In:			
General Fund	4,231,151	0	4,231,151
School Service Funds	0	286,102	286,102
Total Fund Balances	\$4,231,151	\$693,427	\$4,924,578
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$5,665,053</u>	<u>\$720,587</u>	<u>\$6,385,640</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2006

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Total Governmental Fund Balances:			\$4,924,578
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$43,455,651 and the accumulated depreciation is \$8,524,174			
			34,931,477
Accrued Interest on Long-Term Debt			(258,884)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable	\$32,079,314		
MI School Bond Loan	1,893,345		
Retirement Incentive	450,000		
Compensated Absences Payable	266,919		
Total Long-Term Liabilities			(34,689,578)
<u>TOTAL NET ASSETS -</u>			<u>\$4,907,593</u>
<u>GOVERNMENTAL ACTIVITIES</u>			



OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$1,084,286	\$2,070,650	\$3,154,936
State Sources	12,467,385	51,114	12,518,499
Federal Sources	359,818	246,876	606,694
Total Revenues	<u>\$13,911,489</u>	<u>\$2,368,640</u>	<u>\$16,280,129</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	8,455,556	0	8,455,556
Student Services	325,643	0	325,643
Instructional Support	940,955	0	940,955
General Administration	792,286	0	792,286
School Administration	1,082,943	0	1,082,943
Business Administration	76,582	0	76,582
Operation & Maintenance of Plant	1,410,176	0	1,410,176
Transportation	1,017,738	0	1,017,738
Support Services - Other	3,006	0	3,006
Community Services	290,484	0	290,484
Special Service Fund	0	767,387	767,387
Debt Service	0	2,871,044	2,871,044
Capital Outlay			
Construction Costs	0	411,099	411,099
Total Expenditures	<u>\$14,395,369</u>	<u>\$4,049,530</u>	<u>\$18,444,899</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$483,880)	(\$1,680,890)	(\$2,164,770)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(494,066)	494,066	0
Loan Proceeds	0	1,330,702	1,330,702
Other Transfers	178,147	0	178,147
Total Other Financing Sources (Uses)	<u>(\$315,919)</u>	<u>\$1,824,768</u>	<u>\$1,508,849</u>
Net Change in Fund Balance	(\$799,799)	\$143,878	(\$655,921)
<u>FUND BALANCE - BEGINNING</u>	<u>5,030,950</u>	<u>549,549</u>	<u>5,580,499</u>
<u>FUND BALANCE - ENDING</u>	<u>\$4,231,151</u>	<u>\$693,427</u>	<u>\$4,924,578</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

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Total net change in fund balances - governmental funds	(\$655,921)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	24,772,410
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Construction in Progress	(24,895,073)
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Bonds Proceeds	(19,797,705)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	18,970,191
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Issuance of Retirement Incentive	(450,000)
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Change in accrued interest on long-term liabilities	(15,813)
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Decrease in accrued compensated absences	<u>116,833</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$1,955,078)</u></u>
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OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF JUNE 30, 2006

	Private Purpose Trusts			Trust & Agency	Total
	Expendable Trusts	Non-Expendable Trusts	Total		
<u>ASSETS</u>					
Cash and Cash Equivalents	\$112,211	\$13,121	\$125,332	\$165,627	\$290,959
<u>TOTAL ASSETS</u>	\$112,211	\$13,121	\$125,332	\$165,627	\$290,959
<u>LIABILITIES</u>					
Due to Student Groups	0	0	0	165,627	165,627
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$112,211</u>	<u>\$13,121</u>	<u>\$125,332</u>	<u>\$0</u>	<u>\$125,332</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	Private Purpose Trusts		
	Expendable	Non-Expendable	Total
<u>ADDITIONS</u>			
Revenue from Contributions and Earnings	\$126,707	\$381	\$127,088
<u>DEDUCTIONS</u>			
Scholarships and Other Expenses	85,075	243	85,318
<u>CHANGE IN NET ASSETS</u>	\$41,632	\$138	\$41,770
<u>NET ASSETS - BEGINNING OF YEAR</u>	70,579	12,983	83,562
<u>NET ASSETS - END OF YEAR</u>	<u>\$112,211</u>	<u>\$13,121</u>	<u>\$125,332</u>

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF CASH FLOWS  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2006

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CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$381
Expenses	<u>(243)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS \$138

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 12,983

CASH AND CASH EQUIVALENTS - END OF YEAR \$13,121

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$884,695	\$940,956	\$1,084,286	\$143,330
State Sources	12,386,809	12,533,445	12,467,385	(66,060)
Federal Sources	621,552	621,552	359,818	(261,734)
Total Revenues	<u>\$13,893,056</u>	<u>\$14,095,953</u>	<u>\$13,911,489</u>	<u>(\$184,464)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	8,381,000	8,457,904	8,455,556	2,348
Student Services	320,000	325,643	325,643	0
Instructional Support	948,899	940,955	940,955	0
General & School Administration	1,870,000	1,875,229	1,875,229	0
Business Administration	75,000	76,582	76,582	0
Operation & Maintenance of Plant	1,400,000	1,410,176	1,410,176	0
Transportation	1,010,000	1,017,738	1,017,738	0
Support Services - Other	3,000	3,006	3,006	0
Community Services	290,000	290,484	290,484	0
Total Expenditures	<u>\$14,297,899</u>	<u>\$14,397,717</u>	<u>\$14,395,369</u>	<u>\$2,348</u>
Excess of Revenues (Under) Expenditures	<u>(\$404,843)</u>	<u>(\$301,764)</u>	<u>(\$483,880)</u>	<u>(\$182,116)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(400,000)</u>	<u>(554,000)</u>	<u>(315,919)</u>	<u>238,081</u>
Net Change in Fund Balance	<u>(\$804,843)</u>	<u>(\$855,764)</u>	<u>(\$799,799)</u>	<u>\$55,965</u>
<u>FUND BALANCE - BEGINNING</u>			<u>5,030,950</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$4,231,151</u>	

See accompanying notes to the basic financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ovid-Elsie Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund & Public Improvement Fund

The Capital Projects Fund and the Public Improvement Fund are used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

The District began the process of funding this liability and has recorded the amount in a special revenue fund.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds and capital projects fund, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements. No annual budget for capital projects funds are required and therefore are not presented.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment Pool - MIMAX	<u>\$1,179,232</u>	<u>0.0027</u>	AAAm	<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$2,331,019 of the District's bank balance of \$2,973,258 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$290,959	\$ 2,749,385
Investments	<u>1,179,232</u>
<u>TOTAL</u>	<u>\$ 3,928,617</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trusts	\$ 125,332
Cash Agency Fund	165,627
Cash – District Wide	2,458,426
Investments – District Wide	<u>1,179,232</u>
<u>TOTAL</u>	<u>\$ 3,928,617</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,266,400
Federal Grants	<u>119,494</u>
<u>TOTAL</u>	<u>\$ 2,385,894</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2006.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$14,842,457	\$24,705,067	\$0	\$39,547,524
Land Improvements	831,524	0	0	831,524
Equipment and Furniture	813,169	597,500	0	1,410,669
Vehicles	<u>1,665,934</u>	<u>0</u>	<u>0</u>	<u>1,665,934</u>
Totals at Historical Cost	\$18,153,084	\$25,302,567	\$0	\$43,455,651
Less: Accumulated Depreciation				
Buildings and Improvements	(5,529,567)	(296,012)	0	(5,825,579)
Land Improvements	(444,730)	(33,516)	0	(478,246)
Equipment and Furniture	(642,022)	(82,781)	0	(724,803)
Vehicles	<u>(1,377,698)</u>	<u>(117,848)</u>	<u>0</u>	<u>(1,495,546)</u>
Total Accumulated Depreciation	<u>(\$7,994,017)</u>	<u>(\$530,157)</u>	<u>\$0</u>	<u>(\$8,524,174)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$10,159,067</u>	<u>\$24,772,410</u>	<u>\$0</u>	<u>\$34,931,477</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 56,506
Support Services	148,119
Food Service	1,492
Athletics	21,255
Unallocated	<u>302,785</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 530,157</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 43,455,651
Less: Accumulated Depreciation	(8,524,174)
Less: Long-Term Liabilities	(34,689,578)
Retirement Incentive	450,000
Sick & Vacation Pay	266,919
	<hr/>
<u>TOTAL</u>	<u>\$ 958,818</u>

10) GENERAL LONG-TERM DEBT

A) Prior Period Defeasance

On December 1, 1999, the District defeased certain obligation bonds by placing the proceeds of the new general obligation bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's government-wide financial statements. On June 30, 2006, \$6,095,000 of bonds outstanding are considered defeased.

B) General Obligation Bonds Payable

Ovid-Elsie Area Schools issued general obligation limited tax bonds for the purpose of remodeling, furnishing and equipping additions to existing buildings and various other projects. The bonds are dated December 1, 1998 and require annual payments of principal and interest. The interest rates range from 3.4% to 5.6% per annum. The principal balance at June 30, 2006 was \$8,065,000.

Ovid-Elsie Area Schools has issued General Obligation Bonds dated November 20, 2002, in the amount of \$24,300,000, bearing interest at rates varying from 2.00% to 5.00% per annum. These bonds were issued for the purpose of erecting, furnishing, equipping an addition or additions to and partially remodeling, refurbishing and re-equipping the EE Knight, Leonard and North Elementary Schools and High School; constructing improvements to the playgrounds; acquiring and installing educational technology; expanding and remodeling bus maintenance garage and constructing improvements to outdoor athletic facilities. The principal balance at June 30, 2006 was \$4,895,000.

C) Durant Resolution Package Bonds

Ovid-Elsie Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$210,537 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$124,314.

D) 2005 REFUNDING BONDS

On December 13, 2005, Ovid-Elsie Schools issued \$9,450,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.5% to 4.125%. The District issued the bonds to advance refund \$8,740,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$8,740,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next twenty years by \$786,600. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$349,662. The balance of the 2005 Refunding Bonds as of June 30, 2006 was \$9,390,000.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

10) GENERAL LONG-TERM DEBT (Continued)

E) 2006 REFUNDING BONDS

On February 2, 2006, Ovid-Elsie Schools issued \$9,605,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.4% to 4.5%. The District issued the bonds to advance refund \$9,305,000 of the outstanding 2002 Bond Issue with an interest rate of 5.05%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2002 Bonds. As a result, a portion of the 2002 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,305,000 at June 30, 2006.

The advanced refunding reduced total debt service payments over the next twenty years by \$694,256. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$283,069. The balance of the 2006 Refunding Bonds as of June 30, 2006 was \$9,605,000.

F) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 2002 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 2002 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2006 was \$1,893,345.

G) Retirement Incentive

The School District offered a retirement incentive to certain employee groups during the year. The eligible employees who elected to retire will receive payments in each of the next three years. The total obligation is \$450,000. The balance to be paid at June 30, 2006 is \$450,000.

H) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	Bonds Payable	Michigan School Bond Loan Fund	Retirement Incentive	Interest	Total
June 30, 2007	\$983,697	\$0	\$150,000	\$1,468,851	\$2,602,548
June 30, 2008	991,184	0	150,000	1,314,522	2,455,706
June 30, 2009	1,041,717	0	150,000	1,279,218	2,470,935
June 30, 2010	1,097,274	0	0	1,240,694	2,337,968
June 30, 2011	1,172,859	0	0	1,198,722	2,371,581
June 30, 2012-2016	6,667,583	0	0	5,228,893	11,896,476
June 30, 2017-2021	7,820,000	0	0	3,634,358	11,454,358
June 30, 2022-2026	5,525,000	0	0	2,160,310	7,685,310
June 30, 2027-2031	5,645,000	0	0	999,048	6,644,048
June 30, 2032	1,135,000	0	0	51,076	1,186,076
Thereafter	0	1,893,345	0	0	1,893,345
<b><u>TOTAL</u></b>	<b><u>\$32,079,314</u></b>	<b><u>\$1,893,345</u></b>	<b><u>\$450,000</u></b>	<b><u>\$18,575,692</u></b>	<b><u>\$52,998,351</u></b>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,531,959.



OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

10) GENERAL LONG-TERM DEBT (Continued)

I) Changes in General Long-Term Debt

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due in One Year
<u>Governmental Activities:</u>					
General Obligation & Durant					
Bonds Payable	\$31,994,505	\$19,055,000	\$18,970,191	\$32,079,314	\$983,697
MI School Bond Loan Fund	1,150,640	742,705	0	1,893,345	0
Retirement Incentive	0	450,000	0	450,000	150,000
Unpaid Sick Days Payable	383,752	0	116,833	266,919	0
<u>Total Governmental Activities</u>	<u>\$33,528,897</u>	<u>\$20,247,705</u>	<u>\$19,087,024</u>	<u>\$34,689,578</u>	<u>\$1,133,697</u>

11) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE TO	DUE FROM				
	General	Special	Public	Post	
	Fund	Revenue	Improvement	Employment	
General Fund	\$0	\$548	\$100,000	\$230,000	\$330,548
Debt Retirement	27,160	0	0	0	27,160
<u>TOTAL</u>	<u>\$27,160</u>	<u>\$548</u>	<u>\$100,000</u>	<u>\$230,000</u>	<u>\$357,708</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	General Fund
Athletic Fund	\$164,066
Public Improvement Fund	100,000
Post Employment Benefits	230,000
<u>TOTAL</u>	<u>\$494,066</u>

These transfers were made to subsidize the cost of services for athletics and to provide funding for improvement to facilities and payout of accumulated unpaid sick days.

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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13) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$1,298,291, and \$1,168,201, \$1,039,926, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

14) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property, and casualty, theft, damage to various tort, liability, and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incur in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

15) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Title I and Nutrition cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL  
INFORMATION

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	2002 Capital Projects Fund	Public Improvement Fund	Total Other Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$55,554	\$242,239	\$0	\$87,866	\$385,659
Due to Other Funds	230,548	0	0	100,000	330,548
Inventory	4,380	0	0	0	4,380
<u>TOTAL ASSETS</u>	<u>\$290,482</u>	<u>\$242,239</u>	<u>\$0</u>	<u>\$187,866</u>	<u>\$720,587</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$0	\$27,160	\$0	\$0	\$27,160
<u>FUND BALANCES</u>					
Reserved For:					
Inventory	4,380	0	0	0	4,380
Debt Retirement	0	215,079	0	0	215,079
Capital Projects	0	0	0	187,866	187,866
Unreserved:					
Undesignated, Reported In:					
School Service Fund	286,102	0	0	0	286,102
Total Fund Balances	<u>\$290,482</u>	<u>\$215,079</u>	<u>\$0</u>	<u>\$187,866</u>	<u>\$693,427</u>
<u>TOTAL FUND BALANCES</u>	<u>\$290,482</u>	<u>\$242,239</u>	<u>\$0</u>	<u>\$187,866</u>	<u>\$720,587</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	2002 Capital Projects Fund	Public Improvement Fund	Total Other Governmental Funds
<u>REVENUES</u>					
Local Sources	\$373,147	\$1,684,502	\$0	\$13,001	\$2,070,650
State Sources	36,329	14,785	0	0	51,114
Federal Sources	246,876	0	0	0	246,876
Total Revenues	\$656,352	\$1,699,287	\$0	\$13,001	\$2,368,640
<u>OTHER FINANCING SOURCES (USES)</u>	394,066	1,330,702	0	100,000	1,824,768
Total Revenues & Other Financing Sources	\$1,050,418	\$3,029,989	\$0	\$113,001	\$4,193,408
<u>EXPENDITURES</u>					
Food Service	767,387	0	0	0	767,387
Debt Service	0	2,871,044	0	0	2,871,044
Capital Outlay	0	0	3,536	407,563	411,099
Total Expenditures	\$767,387	\$2,871,044	\$3,536	\$407,563	\$4,049,530
Net Change in Fund Balance	\$283,031	\$158,945	(\$3,536)	(\$294,562)	\$143,878
<u>NET ASSETS - BEGINNING</u>	7,451	56,134	3,536	482,428	549,549
<u>NET ASSETS - ENDING</u>	\$290,482	\$215,079	\$0	\$187,866	\$693,427

OVID-ELSIE SCHOOLS - ELSIE, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2006

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Post Employment Benefits</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$55,349	\$205	\$0	\$55,554
Due from Other Funds	548	0	230,000	230,548
Inventory	<u>4,380</u>	<u>0</u>	<u>0</u>	<u>4,380</u>
<u>TOTAL ASSETS</u>	<u>\$60,277</u>	<u>\$205</u>	<u>\$230,000</u>	<u>\$290,482</u>
<u>FUND EQUITY</u>				
Fund Balance - Reserved for Inventory	\$4,380	\$0	\$0	\$4,380
Fund Balance - Unreserved and Undesignated	<u>55,897</u>	<u>205</u>	<u>230,000</u>	<u>286,102</u>
<u>TOTAL FUND EQUITY</u>	<u>\$60,277</u>	<u>\$205</u>	<u>\$230,000</u>	<u>\$290,482</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Post Employment Benefits</u>	<u>Total</u>
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$298,787	\$0	\$0	\$298,787
Athletic Activities	0	61,793	0	61,793
Earnings on Investments	174	24	0	198
Other Revenue	1,637	10,732	0	12,369
Total Local Sources	<u>\$300,598</u>	<u>\$72,549</u>	<u>\$0</u>	<u>\$373,147</u>
<u>State Sources</u>				
State Reimbursements	36,329	0	0	36,329
<u>Federal Sources</u>				
Federal Reimbursements	246,876	0	0	246,876
Total Revenues	<u>\$583,803</u>	<u>\$72,549</u>	<u>\$0</u>	<u>\$656,352</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	0	164,066	230,000	394,066
Total Revenues and Other Financing Sources	<u>\$583,803</u>	<u>\$236,615</u>	<u>\$230,000</u>	<u>\$1,050,418</u>
<u>EXPENDITURES</u>				
Salaries - Professional	10,154	164,066	0	174,220
Salaries - Non-Professional	131,830	0	0	131,830
Insurances	43,367	0	0	43,367
Fica, Retirement, Etc.	33,885	0	0	33,885
Other Benefits	1,950	0	0	1,950
Purchased Services	17,322	30,898	0	48,220
Supplies and Materials	292,299	23,905	0	316,204
Other	0	17,711	0	17,711
Total Expenditures	<u>\$530,807</u>	<u>\$236,580</u>	<u>\$0</u>	<u>\$767,387</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$52,996</u>	<u>\$35</u>	<u>\$230,000</u>	<u>\$283,031</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$7,281</u>	<u>\$170</u>	<u>\$0</u>	<u>\$7,451</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$60,277</u>	<u>\$205</u>	<u>\$230,000</u>	<u>\$290,482</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2006

	<u>1998</u> <u>DEBT</u>	<u>2002</u> <u>DEBT</u>	<u>2005</u> <u>DEBT</u>	<u>2006</u> <u>DEBT</u>	<u>DURANT</u> <u>DEBT</u>	<u>TOTALS</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	<u>\$50,578</u>	<u>\$191,661</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$242,239</u>
<u>LIABILITIES</u>						
Due to Other Funds	\$13,580	\$13,580	\$0	\$0	\$0	\$27,160
<u>FUND EQUITY</u>						
Fund Balance - Reserved for Debt Retirement	<u>36,998</u>	<u>178,081</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>215,079</u>
<u>TOTAL LIABILITIES</u> <u>AND FUND EQUITY</u>	<u>\$50,578</u>	<u>\$191,661</u>	<u>\$0</u> #	<u>\$0</u>	<u>\$0</u>	<u>\$242,239</u>



OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>1998</u> <u>DEBT</u>	<u>2002</u> <u>DEBT</u>	<u>2005</u> <u>DEBT</u>	<u>2006</u> <u>DEBT</u>	<u>DURANT</u> <u>DEBT</u>	<u>TOTALS</u>
<u>REVENUES</u>						
<u>Local Sources</u>						
Property Tax Levy	\$596,806	\$790,059	\$282,186	\$0	\$0	\$1,669,051
Earnings on Investments	4,954	4,893	0	0	0	9,847
Other Revenue	0	5,604	0	0	0	5,604
Total Local Sources	<u>\$601,760</u>	<u>\$800,556</u>	<u>\$282,186</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,684,502</u>
<u>State Sources</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,785</u>	<u>14,785</u>
Total Revenues	<u>\$601,760</u>	<u>\$800,556</u>	<u>\$282,186</u>	<u>\$0</u>	<u>\$14,785</u>	<u>\$1,699,287</u>
<u>OTHER FINANCING SOURCES</u>						
Loan Proceeds	<u>174,000</u>	<u>451,277</u>	<u>246,709</u>	<u>458,716</u>	<u>0</u>	<u>1,330,702</u>
Total Revenues and Other Financing Sources	<u>\$775,760</u>	<u>\$1,251,833</u>	<u>\$528,895</u>	<u>\$458,716</u>	<u>\$14,785</u>	<u>\$3,029,989</u>
<u>EXPENDITURES</u>						
Redemption of Bond Principal	375,000	480,000	60,000	0	10,191	925,191
Interest on Bonded Debt	379,073	539,676	289,670	318,946	4,594	1,531,959
Dues and Fees	1,000	93,899	179,225	139,770	0	413,894
Total Expenditures	<u>\$755,073</u>	<u>\$1,113,575</u>	<u>\$528,895</u>	<u>\$458,716</u>	<u>\$14,785</u>	<u>\$2,871,044</u>
<u>EXCESS REVENUES AND OTHER</u> <u>FINANCING SOURCES OVER</u> <u>(UNDER) EXPENDITURES</u>	<u>\$20,687</u>	<u>\$138,258</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$158,945</u>
<u>FUND BALANCE - BEGINNING</u>	<u>\$16,311</u>	<u>\$39,823</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$56,134</u>
<u>FUND BALANCE - ENDING</u>	<u>\$36,998</u>	<u>\$178,081</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$215,079</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES FROM

Local Sources

Property Tax Levy	\$663,535
Earnings on Investments and Deposits	116,478
CC RESA S.E.	141,177
Swim Program	5,923
Kids Club	106,736
Rentals	1,269
Community Education	14,764
Other Local Revenues	34,404
Total Revenues from Local Sources	<u>\$1,084,286</u>

State Sources

State Aid - Membership	11,181,652
Special Education	674,826
Michigan School Readiness	283,800
Section 31A - At Risk	265,362
Perkins Grant	1,000
Durant	21,054
Drivers Education	14,901
Vocational Education	24,790
Total Revenues from State Sources	<u>\$12,467,385</u>

Federal Sources

Title I	226,465
Medicaid	37,918
Improving Teacher Quality	90,217
Technology Literacy Challenge	4,487
Title V	731
Total Revenues from Federal Sources	<u>\$359,818</u>
Total Revenues	<u>\$13,911,489</u>

OTHER SOURCES

Transfers from Other Governmental Units	<u>236,623</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES

\$14,148,112

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,973,254
Salaries - Non-Professional	80,965
Insurances	599,382
Fica, Retirement, Etc.	488,055
Purchased Services	43,953
Supplies & Materials	39,165
Capital Outlay	29,679
Other	8,880
Total Elementary	<u>\$3,263,333</u>

Middle School

Salaries - Professional	696,795
Insurances	234,898
Fica, Retirement, Etc.	163,214
Purchased Services	18,171
Supplies & Materials	11,514
Other	1,000
Total Middle School	<u>\$1,125,592</u>

High School

Salaries - Professional	1,266,022
Insurances	332,716
Fica, Retirement, Etc.	293,470
Purchased Services	65,314
Supplies & Materials	33,727
Other	2,000
Total High School	<u>\$1,993,249</u>

Preschool

Purchased Services	<u>267,063</u>
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Total Basic Programs

\$6,649,237

ADDED NEEDSSpecial Education

Salaries - Professional	553,275
Salaries - Non-Professional	81,520
Insurances	244,107
Fica, Retirement, Etc.	159,465
Purchased Services	1,138
Supplies & Materials	7,288
Capital Outlay	2,344
Total Special Education	<u>\$1,049,137</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)ADDED NEEDS (Continued)Compensatory Education

Salaries - Professional	\$108,071
Salaries - Non-Professional	97,115
Insurances	143,329
Fica, Retirement, Etc.	48,307
Purchased Services	4,300
Total Compensatory Education	<u>\$401,122</u>

Vocational Education - High School

Salaries - Professional	140,329
Salaries - Non-Professional	11,583
Insurances	25,810
Fica, Retirement, Etc.	36,177
Purchased Services	7,200
Supplies & Materials	9,588
Total Vocational Education - High School	<u>\$230,687</u>

Total Added Needs \$1,680,946

ALTERNATIVE EDUCATION

Salaries - Professional	39,125
Salaries - Non-Professional	27,319
Insurances	33,475
Fica, Retirement, Etc.	15,367
Purchased Services	1,802
Supplies & Materials	7,395
Other	890
Total Alternative Education	<u>\$125,373</u>

Total Instruction \$8,455,556

SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	162,582
Salaries - Non-Professional	22,386
Insurances	65,024
Fica, Retirement, Etc.	44,339
Purchased Services	3,197
Supplies & Materials	4,033
Capital Outlay	14,068
Other	10,014
Total Student Services	<u>\$325,643</u>

## OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN

GENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2006SUPPORT SERVICES (Continued)INSTRUCTIONAL STAFF

Salaries - Professional	\$248,923
Salaries - Non-Professional	100,514
Insurances	173,845
Fica, Retirement, Etc.	79,206
Purchased Services	63,073
Supplies & Materials	124,340
Capital Outlay	120,172
Other	30,882
Total Instructional Staff	<u>\$940,955</u>

GENERAL ADMINISTRATION

Salaries - Professional	174,236
Salaries - Non-Professional	270,048
Insurances	147,656
Fica, Retirement, Etc.	97,477
Purchased Services	69,515
Supplies & Materials	20,441
Other	12,913
Total General Administration	<u>\$792,286</u>

SCHOOL ADMINISTRATION

Salaries - Professional	492,019
Salaries - Non-Professional	133,400
Insurances	210,818
Fica, Retirement, Etc.	146,966
Purchased Services	39,632
Supplies & Materials	52,175
Other	7,933
Total School Administration	<u>\$1,082,943</u>

BUSINESS OFFICE

Purchased Services	76,582
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OPERATION AND MAINTENANCE OF PLANT

Salaries - Professional	59,130
Salaries - Non-Professional	444,344
Insurances	218,954
Fica, Retirement, Etc.	119,363
Other Benefits	1,200
Purchased Services	481,753
Supplies & Materials	84,825
Other	607
Total Operation and Maintenance of Plant	<u>\$1,410,176</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGANGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2006SUPPORT SERVICES (Continued)TRANSPORTATION

Salaries - Non-Professional	\$546,945
Insurances	48,252
Fica, Retirement, Etc.	129,527
Purchased Services	30,297
Supplies & Materials	141,659
Capital Outlay	117,829
Other	3,229
Total Transportation	<u>\$1,017,738</u>

Other Support Services

Salaries - Non-Professional	2,976
Fica, Retirement, Etc.	30
Total Other Support Services	<u>\$3,006</u>

Total Support Services

\$5,649,329

COMMUNITY SERVICES

Salaries - Professional	107,909
Salaries - Non-Professional	25,230
Insurances	16,108
Fica, Retirement, Etc.	30,052
Purchased Services	108,528
Supplies & Materials	2,657
Total Community Services	<u>\$290,484</u>

Total Expenditures

\$14,395,369

OTHER FINANCING USES

Payments to Other Districts	45,222
Other Transfers	13,254
Transfer to Other Funds	494,066
Total Other Financing Uses	<u>\$552,542</u>

TOTAL EXPENDITURES AND OTHER  
FINANCING USES\$14,947,911

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2005	RECEIPTS	DISBURSEMENTS	JUNE 30, 2006
Alternative Education	\$261	\$980	\$849	\$392
Alumni Account	2,056	2,694	1,504	3,246
Art Club	358	1,314	1,570	102
Athletic Account	86	18,474	13,796	4,764
Band Account	5,462	34,100	34,003	5,559
Baseball Account	1,846	4,676	4,959	1,563
Basketball/Boys	2,289	10,416	9,838	2,867
Basketball/Girls	2,041	6,230	6,637	1,634
Bookstore	186	1,360	265	1,281
Cash for Checks	0	2,735	625	2,110
Cheerleaders	923	10,295	11,218	0
Class of 2005	1,009	199	1,208	0
Class of 2006	1,636	1,105	2,741	0
Class of 2007	1,149	14,184	9,190	6,143
Class of 2008	1,013	3,295	2,715	1,593
Class of 2009	83	5,571	2,537	3,117
Community Education	586	160	250	496
Computer - Aided Draft	474	18	0	492
Cross Country	1,186	5,154	5,178	1,162
E.E. Knight Elementary	8,788	29,392	35,154	3,026
F.F.A.	2,088	22,869	23,362	1,595
Football	8,219	6,775	11,886	3,108
Golf Team	1,660	100	0	1,760
Guidance Account	14,592	2,255	9,252	7,595
H.S. Account	1,267	17,102	16,536	1,833
Interest Account	5,278	1,592	2,163	4,707
K-8 Libraries	5,000	14,377	13,329	6,048
Leonard Elementary	14,938	62,820	66,051	11,707
Library	11,120	2,176	3,061	10,235
Marauderettes	246	2,029	1,356	919
Marauderettes - Football	239	2,144	1,963	420
Movie Night	138	3,468	3,093	513
National Honors Society	789	2,452	2,246	995
O-E Mat Club	1,249	1,747	1,546	1,450
O-E Mens' B'Ball	21	3,082	2,425	678
O-E Middle School	29,035	26,618	28,919	26,734
O-E Music Boosters	0	18,880	14,609	4,271
P.A.L.S.	117	0	81	36
Preschool	1	4,101	2,785	1,317
Purple Melon	906	12,479	12,518	867
Sub-Total	\$128,335	\$359,418	\$361,418	\$126,335



OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS JULY 1, 2005	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2006
Renaissance Account	\$4,313	\$83	\$218	\$4,178
School Improvement	32,847	4,360	22,713	14,494
Shop Account	707	7,887	7,102	1,492
Soccer	83	1,549	1,081	551
Soccer Fundraiser	0	593	323	270
Softball	100	300	343	57
Stage Lighting	177	100	0	277
Student Council	5,083	28,282	23,411	9,954
Summer School Account	0	1,354	1,354	0
Swim and Guard	2,104	1,412	2,599	917
Teacher's Pop	2,102	1,043	1,831	1,314
Tennis (Boys)	555	355	910	0
Track Club	1,276	11,392	12,502	166
Tri-M Music Soc.	228	965	1,193	0
TV-13 Account	1,301	2,270	1,343	2,228
Varsity Club	365	34	399	0
Volleyball	0	5,218	5,208	10
W.O.E.S. Radio	13,295	6,370	17,216	2,449
Yearbook	796	24,689	24,550	935
<u>TOTALS</u>	<u>\$193,667</u>	<u>\$457,674</u>	<u>\$485,714</u>	<u>\$165,627</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - SCHOLARSHIP FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

<u>CLARK ESTATE FUND</u>		
<u>BALANCE - JULY 1, 2005</u>		\$8,226
<u>RECEIPTS</u>		
Interest		30
<u>BALANCE - JUNE 30, 2006</u>		<u>\$8,256</u>
<u>BYRON GREEN MEMORIAL FUND</u>		
<u>BALANCE - JULY 1, 2005</u>		\$4,447
<u>RECEIPTS</u>		
Interest		11
Donations		2,233
Total Receipts		<u>\$2,244</u>
<u>DISBURSEMENTS</u>		
Scholarships		<u>2,000</u>
<u>BALANCE - JUNE 30, 2006</u>		<u>\$4,691</u>
<u>JACK BOWER MEMORIAL FUND</u>		
<u>BALANCE - JULY 1, 2005</u>		<u>\$4,661</u>
<u>BALANCE - JUNE 30, 2006</u>		<u>\$4,661</u>
<u>MARY L. GUMAER SCHOLARSHIP FUND</u>		
<u>BALANCE - JULY 1, 2005</u>		\$18,308
<u>RECEIPTS</u>		
Donations		17,421
<u>DISBURSEMENTS</u>		<u>16,060</u>
<u>BALANCE - JUNE 30, 2006</u>		<u>\$19,669</u>

DURAND AREA SCHOOLS - DURAND, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - SCHOLARSHIP FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

<u>DAVID G. GOODRICH SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2005</u>	\$5,340
<u>RECEIPTS</u>	
Interest	409
Donations	81,039
Total Receipts	<u>\$81,448</u>
<u>DISBURSEMENTS</u>	<u>40,700</u>
<u>BALANCE - JUNE 30, 2006</u>	<u>\$46,088</u>
<u>DONALD G. THAYER, JR. SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2005</u>	\$3,377
<u>DISBURSEMENTS</u>	
Scholarships	<u>2,915</u>
<u>BALANCE - JUNE 30, 2006</u>	<u>\$462</u>
<u>FRED &amp; FLORENCE DENGLE SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2005</u>	\$26,220
<u>RECEIPTS</u>	
Interest	40
Donations	25,524
Total Receipts	<u>\$25,564</u>
<u>DISBURSEMENTS</u>	<u>23,400</u>
<u>BALANCE - JUNE 30, 2006</u>	<u>\$28,384</u>
<u>CAMPBELL MEMORIAL LIBRARY FUND - NON-EXPENDABLE TRUST</u>	
<u>BALANCE - JULY 1, 2005</u>	\$12,983
<u>RECEIPTS</u>	
Interest	381
<u>DISBURSEMENTS</u>	<u>243</u>
<u>BALANCE - JUNE 30, 2006</u>	<u>\$13,121</u>
<u>ALL SCHOLARSHIP FUNDS</u>	
<u>BALANCE - JUNE 30, 2006</u>	<u>\$125,332</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
GENERAL OBLIGATION SERIAL BONDS  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2006

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$210,537

	INTEREST REQUIREMENT	INTEREST RATE	PRINCIPAL REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2007	\$21,069	4.761353%	\$48,697	\$69,766
2008	3,600	4.761353%	11,184	14,784
2009	3,068	4.761353%	11,717	14,785
2010	2,510	4.761353%	12,274	14,784
2011	1,926	4.761353%	12,859	14,785
2012	1,313	4.761353%	13,471	14,784
2013	672	4.761353%	14,112	14,784
<u>TOTAL</u>	<u>\$34,158</u>		<u>\$124,314</u>	<u>\$158,472</u>

Refunding Bonds issued December 1, 1998, and outstanding as of June 30, 2006, consisted of:

GENERAL OBLIGATION - UNLIMITED TAX BONDS

<u>PAYMENT DATE</u>	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
2006-2007	\$181,942	\$181,943	4.05%	\$390,000	\$753,885
2007-2008	174,045	174,045	4.10%	410,000	758,090
2008-2009	165,640	165,640	4.15%	425,000	756,280
2009-2010	156,821	156,821	4.20%	445,000	758,642
2010-2011	147,476	147,476	4.30%	460,000	754,952
2011-2012	137,586	137,586	4.35%	485,000	760,172
2012-2013	127,038	127,037	4.40%	505,000	759,075
2013-2014	115,928	115,928	4.50%	530,000	761,856
2014-2015	104,003	104,003	4.60%	550,000	758,006
2015-2016	91,353	91,352	4.65%	580,000	762,705
2016-2017	77,867	77,868	4.70%	605,000	760,735
2017-2018	63,650	63,650	4.75%	635,000	762,300
2018-2019	48,569	48,569	4.75%	665,000	762,138
2019-2020	32,775	32,775	4.75%	690,000	755,550
2020-2021	16,388	16,387	4.75%	690,000	722,775
<u>TOTAL</u>	<u>\$1,641,081</u>	<u>\$1,641,080</u>		<u>\$8,065,000</u>	<u>\$11,347,161</u>

OID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2006

Bonds issued November 20, 2002, and outstanding as of June 30, 2006, consisted of:

2002 SCHOOL BUILDING & SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$87,899	\$87,899	2.800%	\$505,000	\$680,798
2007-2008	80,829	80,829	3.125%	530,000	691,658
2008-2009	72,548	72,548	3.350%	565,000	710,096
2009-2010	63,084	63,084	3.550%	595,000	721,168
2010-2011	52,523	52,523	3.650%	630,000	735,046
2011-2012	41,025	41,025	3.750%	660,000	742,050
2012-2013	28,650	28,650	4.000%	690,000	747,300
2013-2014	14,850	14,850	4.125%	720,000	749,700
<u>TOTAL</u>	<u>\$441,408</u>	<u>\$441,408</u>		<u>\$4,895,000</u>	<u>\$5,777,816</u>

Bonds issued December 13, 2005, and outstanding as of June 30, 2006, consisted of:

2005 REFUNDING BONDS

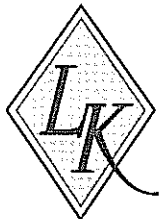
<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$187,866	\$187,866	3.500%	\$40,000	\$415,732
2007-2008	187,166	187,166	3.500%	40,000	414,332
2008-2009	186,466	186,466	3.500%	40,000	412,932
2009-2010	185,766	185,766	3.500%	45,000	416,532
2010-2011	184,978	184,978	3.500%	45,000	414,956
2011-2012	184,191	184,191	3.625%	45,000	413,382
2012-2013	183,375	183,375	4.000%	50,000	416,750
2013-2014	182,375	182,375	4.000%	50,000	414,750
2014-2015	181,375	181,375	4.000%	50,000	412,750
2015-2016	180,375	180,375	4.000%	55,000	415,750
2016-2017	179,275	179,275	4.000%	865,000	1,223,550
2017-2018	161,975	161,975	4.000%	885,000	1,208,950
2018-2019	144,275	144,275	4.000%	910,000	1,198,550
2019-2020	126,075	126,075	4.000%	930,000	1,182,150
2020-2021	107,475	107,475	4.000%	945,000	1,159,950
2021-2022	88,575	88,575	4.000%	1,115,000	1,292,150
2022-2023	66,275	66,275	4.000%	1,105,000	1,237,550
2023-2024	44,175	44,175	4.000%	1,095,000	1,183,350
2024-2025	22,275	22,275	4.125%	1,080,000	1,124,550
<u>TOTAL</u>	<u>\$2,784,308</u>	<u>\$2,784,308</u>		<u>\$9,390,000</u>	<u>\$14,958,616</u>

OVID-ELSIE AREA SCHOOLS - ELSIE, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2006

Bonds issued February 2, 2006, and outstanding as of June 30, 2006, consisted of:

2006 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$318,946	\$213,421	0.000%	\$0	\$532,367
2007-2008	213,421	213,421	0.000%	0	426,842
2008-2009	213,421	213,421	0.000%	0	426,842
2009-2010	213,421	213,421	0.000%	0	426,842
2010-2011	213,421	213,421	3.400%	25,000	451,842
2011-2012	212,996	212,996	3.500%	25,000	450,992
2012-2013	212,559	212,559	3.600%	25,000	450,118
2013-2014	212,109	212,109	3.700%	25,000	449,218
2014-2015	211,646	211,646	5.000%	785,000	1,208,292
2015-2016	192,021	192,021	5.000%	810,000	1,194,042
2016-2017	171,771	171,771	0.000%	0	343,542
2017-2018	171,771	171,771	0.000%	0	343,542
2018-2019	171,771	171,771	0.000%	0	343,542
2019-2020	171,771	171,771	0.000%	0	343,542
2020-2021	171,771	171,771	0.000%	0	343,542
2021-2022	171,771	171,771	0.000%	0	343,542
2022-2023	171,771	171,771	0.000%	0	343,542
2023-2024	171,771	171,771	0.000%	0	343,542
2024-2025	171,771	171,771	0.000%	0	343,542
2025-2026	171,771	171,771	4.150%	1,130,000	1,473,542
2026-2027	148,324	148,324	4.250%	1,125,000	1,421,648
2027-2028	124,418	124,418	4.300%	1,125,000	1,373,836
2028-2029	100,230	100,230	4.350%	1,125,000	1,325,460
2029-2030	75,761	75,761	4.400%	1,135,000	1,286,522
2030-2031	50,791	50,791	4.450%	1,135,000	1,236,582
2031-2032	25,538	25,538	4.500%	1,135,000	1,186,076
<u>TOTAL</u>	<u>\$4,456,733</u>	<u>\$4,351,208</u>		<u>\$9,605,000</u>	<u>\$18,412,941</u>



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 17, 2006

To the Board of Education of  
Ovid-Elsie Area Schools

In planning and performing our audit of the financial statements of Ovid-Elsie Area Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Ovid-Elsie Area Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

#### FUTURE ISSUES

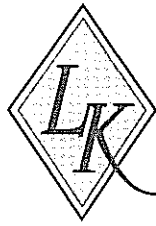
1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.



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2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Ovid-Elsie Area Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

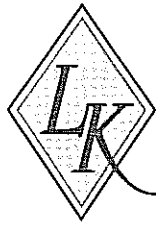
The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- \* Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- \* Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- \* Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.





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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Ovid-Elsie Area Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Lewis & Knopf P.C.*  
LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS